



Cyprus Tax News

Tax reform bills voted into law

On **22 December 2025**, the Cyprus Parliament voted into law, six amending tax laws. The final tax bills are a result of a long public consultation process which commenced back in February 2025, when the Cyprus Tax Reform Team presented its initial proposals to key stakeholders at the Presidential Palace. We summarize below the key changes and additional comments as per the final tax bills voted into law.

Unless stated otherwise, changes are **effective from 1 January 2026**.

INCOME TAX LAW

- CIT rate: The corporate income tax (CIT) rate is increased from 12,5% to 15%;
- Tax losses: The carry forward of tax losses is extended from 5 to 7 years;
- Share option schemes: Introduction of provisions (subject to conditions) for the taxation of share option schemes at a flat rate of 8%;
- 60 days tax residency: the condition for an individual not to be tax resident in another state for him/her to be Cyprus tax resident, is removed;
- Corporate tax residency by incorporation: the condition for a company not to be tax resident in another state for it to be treated as a Cyprus tax resident, has been removed (unless a double tax treaty prevails and provides otherwise);

- Tax treatment of ex-gratia payments: Introduction of provisions for the taxation for payments above €200.000 with a fixed rate of 20%, for payments on retirement including early retirement, payments on termination of employment or appointments, golden handshake payments, compensations for termination of employment or appointment;
- Redemptions of units in funds: From 1 January 2031 the net amount derived from the redemption of units in a fund will be considered a dividend as opposed to profit on disposal of titles and be taxed accordingly;
- Additional R&D Deduction: Businesses will get a 20% “super tax deduction” for scientific research and R&D expenses incurred from 2025 through 2030;
- Intangible Asset Amortization: The limit of amortizing intangibles, if the Intangible has indefinite life, will be for 20 years;
- Income Tax bands: The tax-free band for individuals is raised from €19.500 to €22.000;
- New income tax deductions for individuals: Subject to **Income level**, for individuals who incur costs in relation to:
 - Dependent children / university students;
 - Interest on loans used for acquisition of main residence or rent for main residence;
 - Insurance payment against natural disasters on residence
 - Expenses for energy efficiency;
 - Acquisition of electric car.
- Entertainment expenses: The amount of entertainment expenses allowed as tax deductible, increases to €30.000;
- Tax deductibility of interest expense: The restriction of interest expense for the acquisition of non business assets (except private motor vehicles) continues beyond the 7 years as it was up to now;
- Premium tax applicable to insurance companies: Abolition of minimum tax paid by insurance companies;
- Crypto taxation: Introduction of provisions for the taxation of crypto currencies at a flat rate of 8%.

STAMP DUTY LAW

Abolished.

SPECIAL CONTRIBUTIONS FOR THE DEFENCE (SDC) TAX LAW

- Reduction of SDC rate applicable on dividends earned by Cyprus tax residents Cyprus domiciled individuals % from 17% to 5%;
- Payment on SDC on rental income is abolished;
- The Deemed Dividend Distribution provisions on corporate profits earned after 1 January 2026 are abolished;
- Dividends paid to Cyprus tax residents Cyprus domiciled individuals paid out of corporate profits earned up to 31 December 2025 will be taxed with an SDC rate of 17%;

- Taxation of deemed dividends on capital reduction represented by the difference between market value of distributed properties and the amount originally paid in for the capital extended to companies
- Redemption of units in funds will be treated as a capital reduction and not as sale of titles, effective from 1 January 2031;
- In case of bonus issue of shares, the amount capitalized will be treated a dividend;
- Provisions have been introduced for the taxation of deemed dividends at the rate of 10%. The deemed dividend is calculated by adding:
 - The market value of an assets owned by a company used by a shareholder for private use;
 - The difference between the market value of an asset transferred by a company to its shareholder and the consideration amount paid for the said transfer;
- The exemption from SDC for Cyprus tax resident non domiciled individuals may be extended beyond the 17 years with the payment of a lump sum of €250.000 per period for additional two periods of 5 years each;
- Penalties and fines have been increased in cases of non-compliance.

CAPITAL GAINS TAX LAW

- The definition of shares that directly or indirectly own immovable property has been amended to include shares which derive 20% (as opposed to 50% previously required) of their value from immovable property situated in Cyprus;
- The tax-exempt amounts for disposal of immovable property, agricultural land and main residence have been increased;
- The exemption on disposal of shares listed on Cyprus Stock Exchange Emerging Companies Market (Nea Agora) has been abolished (allowing the exception only to those companies already listed) and replaced to apply to shares listed on a regulated market of a recognized Stock Exchange;
- An exemption has been introduced for profits to be derived on disposal of shares not listed on a regulated market (i.e listed on Cyprus Stock Exchange Emerging Companies Market (Nea Agora)) provided those do not exceed €50.000 per annum;
- Building/plots in exchange for land has been included in the exemptions from capital gains tax;
- Penalties & fines have been significantly increased.

COLLECTION OF TAXES LAW

- Powers given to the Commissioner of Taxation to pledge shares owned by a taxpayer who owes taxes exceeding €100.000.

ASSESSMENT AND COLLECTION OF TAXES LAW

- All tax resident individuals from the age of 25 to the age of 71 have an obligation to file a personal income tax return irrespective of whether

they have income or not while all Cyprus tax resident individuals who have income will have an obligation to file a return irrespective of their age;

- The deadline of submission of tax returns by companies and individuals who prepare audited accounts has been set on 31/1 of the year that follows the subsequent year to the tax year (i.e. 13 months from the tax year end). The deadline for the payment of the tax is aligned with the tax return submission deadline (i.e on 31/1);
- New provisions have been introduced regarding the information an employer has to submit for its employees on TD7;
- Partnerships will have an obligation to submit tax returns;
- The deadline to submit an objection is extended to 60 days;
- The statute of limitation remains 6 years but those count from the date of tax return submission as opposed from the end of the tax year. Same applies for the period a taxpayer has to retain its books and records;
- The threshold for annual income for individuals to have an obligation to prepare audited accounts is increased from €70.000 to €120.000;
- Powers have been given to the Commissioner of Taxation to suspend the operations of a business where the tax payer has not submitted its tax returns for pre-determined periods, failed to pay taxes due of a pre-determined amount, has not issued/issued incorrect invoices/receipts;
- Interest on refunds will be paid four months after the returns submission deadline/the date the Commissioner has determined the refund is due as opposed from the date the overpaid tax was due;
- The TD7 deadline has been set on 31/3 which follows the tax year;
- Rent can only be paid through bank transfer, credit card or any other mean of electronic payment but not with cash;
- Penalties and fines have increased;
- A director will continue to be liable for actions or omissions that have taken place during his/her term despite that at the time proceedings will commence he/she has already resigned;

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